

MARKETING MATTERS

Official Publication of the Kentucky Department of Agriculture's Office for Agricultural Marketing and Product Promotion

Volume No. 4 Issue No. 3

Released August 15, 2003

Published Quarterly

Consider Cooperative Marketing

By Bill Holleran

Kentucky is quickly establishing itself as a viable contender in the vegetable market, and co-ops have been one of the secrets to Kentucky's success.

The Western Kentucky Growers Co-op in Owensboro, Ky., is one of the state's four vegetable co-ops. It developed from local farmers trying to find a way to make up lost tobacco income. In February 2000, farmers from several Western Kentucky counties worked together to build a partnership with Pioneer Growers Cooperative in Florida, which needed a summer produce supply. The farmers purchased 176 acres of the James Ellis estate just outside Owensboro, where a vegetable production facility had been built in 1991.

A \$100,000 grant from the Kentucky Department of Agriculture and assistance from the Kentucky Agricultural Development Board and local banks helped the co-op get started. WKGC is now growing 1,400 acres of produce. WKGC serves 65 growers in seven counties, including growers in southern Indiana and Illinois. Producers grow sweet corn, bell peppers, hot peppers, squash, zucchini, potatoes, tomatoes, pumpkins, cabbage, broccoli



From Left: Joe Cecil (CEO/President of Sales) and Kevin Grant (Operation Manager) of Western Ky. Growers Co-op.

and cucumbers.

Members pay annual dues and are required to purchase a share of stock in the cooperative. Producers sign agreements in January that commit a predetermined amount of produce to be marketed through the cooperative. Sales are based on daily fresh market prices, and farmers pay for packaging, time, labor, and a 14 percent commission to the cooperative.

"There is potential for \$2,000-2,500 per acre net revenues on some vegetable crops compared to \$750-800 per acre net revenues with tobacco, but the **risk is far greater** since some crops require an initial \$1,500-2,000

per acre investment, and vegetable prices fluctuate more than tobacco," said producer and WKGC CEO Joe Cecil. Cecil tells growers to look at average prices, since market prices fluctuate with supply and demand.

"Cooperatives are mainly a shipping and marketing agent, so producers need to know there is often a 30-90 day waiting period before receiving payment," said Cecil. He also suggests growers not try to jump in and out of vegetable production. He said looking at three-, five-, or 10-year averages often give a more realistic idea of profit potential. **"Producers that diversify their production to include several dif-**

ferent crops have the most success," Cecil said.

The Kentucky Department of Agriculture helps promote WKGC by placing ads in industry trade publications and organizing promotions at national produce conventions. The KDA also promotes the vegetable industry to retailers and wholesalers through the Kentucky Fresh program and through its efforts to help establish the Kentucky Center for Cooperative Development.

WKGC's production window runs from late May through Christmas. The cooperative has seen good results with squash this spring, and its packing line is also used for peppers, potatoes, zucchini and other crops. The KDA helps fund a USDA licensed produce grader to be on site during the packing and shipping season. The cooperative also utilizes a \$600,000 state-of-the-art hydro-cooler that helps increase the quality and freshness of its 750 acres of sweet corn. Their cold storage facility has the capacity to cool 20,000 crates of sweet corn per day.

To learn more about WKGC, visit its Web site at <http://members.owensboro.net/wkycoop/Index2.html> or call CEO Joe Cecil or Operations Manager Kevin Grant at (270) 764-2667.

Farm-to-school program brings fresh produce back to school!

By Jessica Anderson

The Kentucky Farm-to-School Program provides high-quality fresh local food items to Kentucky public institutions at a fair price while at the same time establishing a stable market for Kentucky family farms. The program is a joint venture between the Kentucky Department of Agriculture's Division of Value-Added Horticulture and Aquaculture and Division of Food Distribution and the U.S. Department of Defense's Produce Buying Office in Nashville, Tenn.

Everyone involved is thrilled about this program because it provides locally-produced food items in school menus; presents avenues for education on food, nutrition, and science of agriculture; and creates marketing opportunities for Kentucky family farms. The program is a win-win situation for both farmers and school children. Farmers are provided an

additional outlet to sell their produce, and school children receive fresh, healthy vegetables from local farmers.

The Farm-to-School Program began in the fall of 2000 and provided schools with broccoli, a fall décor kit (4-5 gourds, 1 bunch-Indian corn, 1 pie pumpkin, 3-4 mini-pumpkins in a crate), and green and red cabbage. In 2001, the menu items increased to provide seedless watermelons, which were a huge success with the school children and became the most ordered item. In 2002, the menu increased once again to provide school systems with potatoes along with broccoli, a fall décor kit, seedless watermelons, and green and red cabbage.

The Kentucky Department of Agriculture believes the Farm-to-School Program is off to an excellent start, and that's why we are so excited about the 2003 produce season! This year the Farm-to-School Program is making changes to provide **MORE** Kentucky produce items when available to all 1,600

Kentucky school sites. The Department of Defense's Produce Buying Office is responsible for purchasing produce for Kentucky school systems. This year, the Produce Buying Office will purchase all Kentucky produce when it is available and meets its quality standards. With this initiative, over 250 Kentucky family farms will have the opportunity to provide fresh Kentucky produce to school children. **We anticipate produce sales to state institutions to exceed previous years' sales by 300 percent!**

Anyone who is interested in participating in the Kentucky Farm-to-School Program as a grower or wants to know more about the program may contact Jessica Anderson, program coordinator, at (502) 564-4983. If you purchase fresh fruits and vegetables for a Kentucky school, contact the Department of Defense Produce Buying Office at 1-800-795-3544 to let them know you prefer "Kentucky Fresh" produce.

The Doctor's Office



By Dr. Cris Young

This month's article demonstrates how interrelated different areas of the livestock industry are. Despite our desire to maintain a simple industry, the pressures being placed on us from many directions are making our business much more complex. The demands of our global trading partners dictate requirements packers must meet, which in turn drives management procedures you must perform on the farm.

The threat of bio-terrorism to our livestock industry and the catastrophic impact it would have on our nation and the world is causing groups such as the Department of Homeland Security to examine ways to minimize this threat. BSE appears in Canada and we immediately see how delicate our industry is. The consumer demands safe food.

Country of Origin Labeling (COOL) is a topic of daily discussion and as of the time I write this it appears COOL will be delayed. However, just this week, Japan, our leading beef export market, has demanded that by Sept. 1 we certify the origin of all beef we market to them. Through all of these issues one theme is consistent: We need an individual animal identification program in our country

and, have no doubt, we are going to get one.

In Kentucky, we are blessed to have a large group of forward-thinking leaders who are working as a team to ensure that Kentucky remains in a position to have full access to markets. With the leadership of Agriculture Commissioner Billy Ray Smith, the Kentucky Department of Agriculture has begun leading an effort to explore ways to implement an identification program. If we engage this issue, we will have the opportunity to develop a program that meets our needs in a fashion that we deem acceptable. When requirements are placed on our state to provide information, we want to have the ability to say we can do it! We believe this will be a tremendous marketing advantage for Kentucky.

Initial efforts are focusing on the cattle industry, but Commissioner Smith wants us to look at ways we can help all commodities. To that end, on Aug. 14 in Louisville, the leaders of over 50 commodity organizations will be invited to hear four speakers discuss identity preservation of commodities. The speakers will discuss the national livestock and identification plan and identity preservation of grain. Speakers from SYSCO and

Krogers will discuss the issues their organizations see on the horizon and how identity preservation will impact them and you.

Our desire is to see the marketing aspect of an identification program drive the issue. However, make no mistake, an identification program will serve many more areas than value-added marketing. By having an animal ID program in place, the industry will be able to return more management data to you. An on-farm ID program will ensure that you can make management decisions from this data. Having an ID program in place will give the Division of Animal Health and the United States Department of Agriculture the ability to make timely tracebacks to prevent the spread or introduction of diseases.

This is a difficult issue, and much work remains to be done, but I want you to be engaged, and I want you to know that at the end of the day, everything we are doing has one goal in mind: to provide you the opportunity to make your operation more profitable. At the same time, we will ensure our consumers continue to have access to an abundant, affordable, supply of Kentucky Fresh food!

Goat Tel-O-Auction shows success in first year

By Tess Caudill

In September 2002 the Kentucky Goat and Sheep Tel-O-Auction marketing system was introduced. Since the pilot sale nearly a year ago, the program has successfully marketed 1,200 head in six sales for over 90 Kentucky farmers. Prices for each sale have been consistent with the nation's largest and most established goat sales. The highlight for the year occurred in May when prices topped national averages by 18 cents per pound.

In the tel-o-auction system, producers call the Kentucky Department of Agriculture prior to a sale to consign the livestock they have ready for market. Animals are described by weight, age, and grade, and KDA marketing specialists record the data. Information from all consignors is compiled and then a list of the lots for sale is sent to United Producers, which conducts the sale by arranging several buyers on a conference call where the lots are auctioned off to the

highest bidder. Once the animals are sold, they are delivered to a central location between two and six days following the sale. When the animals are delivered, they are officially weighed and graded before the buyers pick them up. Currently, consigned goats are delivered to four locations: Paris, Irvington, Lebanon, and Glasgow.

Cooperation is a major key to the success of the auctions. This system is unique in that more than one livestock market can be involved in a single sale. United Producers may sell the animals and collect payment from buyers, but Farmers Livestock in Glasgow may receive, weigh and grade goats for that sale. Additionally, the KDA and several local and regional goat associations are involved in the promotion of the auctions and often volunteer to assist with delivery of the animals to help keep commissions low. Strong relationships with buyers are also important in this type of marketing system as buyers must trust in the integrity of the sale to pur-

chase goats sight unseen.

Future plans include expanding the Kentucky Goat and Sheep Tel-O-Auction to include more sales and expanded delivery locations. In addition to the tel-o-auctions, producers should be aware of the graded goat sales that are popping up around the state. While slightly different than the tel-o-auction in that animals are not sold via telephone, graded sales work on the same principle where goats are weighed and graded by a state grader and sold in lots. The goal for both the tel-o-auctions and the graded sales is the same: to command higher prices for the animals by grouping them with similar animals, making them a more attractive package to the buyer.

For more information on the goat tel-o-auction or graded sales, contact Tess Caudill by phone at (502) 564-4983 or by e-mail at Tess.Caudill@kyagr.com.

Interns assist Shows and Fairs division

By April McClain & Jeff Zinner

The Kentucky Department of Agriculture's Division of Show and Fair Promotion interns have been living life on the road this summer to help make the 2003 show season a success. April McClain, Jeff Zinner, and Ross Pruitt have traveled as far west as Murray to help introduce the newest Kentucky Junior Livestock Expo (Western Rivers) and as far east as Morehead for the KJLE East. Together the interns have attended over 40 livestock shows, including three Kentucky Junior Livestock Expos.

This show season has seen an increase in the total number of livestock exhibited throughout the five species. Goats and sheep had the greatest increases. A record number of 543 animals were exhibited at the KJLE East in

Morehead, and 594 went through the show ring at the Bowling Green KJLE.

The interns have assisted with the production and distribution of the new "Livestock Math" educational CDs. These interactive CDs will help young people obtain knowledge and skills that will assist them in the production and showing of their livestock projects. Students who may not have an opportunity to experience agriculture in their daily lives can also learn the importance of agriculture and livestock operations through the CD. April, Jeff, and Ross have enjoyed their summer with the Kentucky Department of Agriculture and appreciate all the support and educational training that they have received through the internship program.

Ginseng season begins

By Chris Kring

The 2003 ginseng season starts Aug. 15 with the opening of digging season. Diggers are reminded to dig only when they have permission of the land owner. Digging ginseng on state or federal land is very restricted and is not allowed in most cases. Be sure to check with the appointing authority at each park or forest for permission. The digging season lasts through November.

Dealers can start buying ginseng on Sept. 1, 2003. All dealers must be registered with the Kentucky Department of Agriculture and keep records of each ginseng purchase. All ginseng dug in Kentucky must be certified as legally taken before it leaves the state. Buying and selling ginseng lasts through March 2004. If you would like to become a registered ginseng dealer or have additional questions about the state's ginseng program contact Chris Kring at (502) 564-4983.

Subscription Information:

For your free subscription to Marketing Matters contact Bill Holleran by phone at (502) 564-4983 or by e-mail at Bill.Holleran@kyagr.com

Kentucky orchards are great getaways this fall

If you like scenic drives in the country, romantic weekend trips, or the taste of fresh produce, you can visit one of Kentucky's orchards and get away to the country. Orchards are a great weekend destination spot. You can pick your own produce, or buy it already picked and take home a variety of products to make great home-made desserts, or can, freeze, or preserve your fruit for delicious holiday gifts for family and friends.

Dana and Trudie Reed own and operate Reed Valley Orchard in Paris, Ky. They bought a 120-acre farm on the Bourbon-Harrison county line in 1988 and began planting apple trees. In 1996 the Reeds opened their doors to visitors, and today they continue to welcome guests from as far away as Louisville.

Visitors can pick from 30 acres of fruit trees and berry patches and 11 acres of pumpkins this fall. Over 50 varieties of apple trees are offered as well as blackberries, blueberries, peaches, pears, and nectarines. The Reeds can also help you pick a variety according to your preference for canning, pies, preserves,



making apple sauce, freezing or just eating fresh.

"We emphasize quality, taste, and freshness. Offering upick opportunities allows our customers to get the freshest products around," said Trudie Reed. Mrs. Reed selects the best-tasting varieties and suggests that anyone thinking about growing fruit trees should taste several varieties before buying trees so they will know what kind they like best. Their walk-in coolers keep products fresh for delivery to Ken's Market in Paris and trips to the Lexington Farmers' Market on Saturday mornings beginning

around the end of August.

Prices range from \$4 per ½ peck for u-pick apples to \$5 at the farmer's market already picked to \$20 per bushel u-pick or \$26 per bushel already picked. Berries are also offered u-pick or already picked according to customers preference.

Reed cautions farmers thinking about going into the orchard business to talk to other orchard owners first. "Running an orchard is a year-round job, and there is always work to be done. We do it out of love for the land, and because of our faith in God. We also enjoy teaching kids about where their food comes from and sharing our story with visitors," said Reed.

Check out their Web site, www.ReedValleyOrchard.com, for directions to the farm or call (859) 987-6480 for more information. If you're looking for a unique day trip or want to go somewhere you've never been, take your family or friends to a Kentucky orchard this fall. You'll enjoy a taste of the country that will keep you going back for more!

—Bill Holleran

The Department of Agriculture does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services. Reasonable accommodations are provided upon request.



Kentucky Department of Agriculture

www.kyagr.com

Division of Value-Added Marketing
100 Fair Oaks Lane, 5th Floor
Frankfort, KY 40601